

MEMORANDUM

Date: April 3, 2006

To: Participating Lenders

From: Terri Hudson

We sincerely appreciate your direct comments and those comments made through certain associations and groups concerning the Homeowner Assistance Grant program. We have carefully reviewed your comments and where possible, made amendments. A brief summary is as follows:

Liability Issues - We understand that lenders want some protection from liability in performing their limited role in the closing services and disbursement of the grant funds. We think the best way to do this is by adding a release of liability agreement signed by the Homeowner (in the Grant Agreement) and also in the Lender Agreement.

Method of Disbursement – Per the plan, if the mortgage lender is closing the grant, the method of payment will be a check on which the homeowner and mortgage lender are co-payees. EFT will be used for grants closed by a third party agent and for grant recipients with no mortgage.

Rights to Insurance Proceeds – We agree with your comments regarding your rights to the insurance proceeds. The process would require the homeowner to subrogate their rights in an amount equal to the grant – this would result in the lender and MDA being listed as co-payees. In this instance, we are asking the lender to agree to provide an accounting for the funds, on receipt of which MDA will endorse the check, and if any monies are repayable to remit same back to the State. Regarding insurance proceeds, MDA is only seeking fairness in handling the Homeowner who has already obtained insurance proceeds prior to the grant process and the Homeowner who has yet to settle with their insurance proceeds upon the date of the grant process. We acknowledge the paramount rights of the lender to such insurance proceeds under the terms of their deed of trust in both instances.

Service Agreement with Third parties – We understand that this issue has been satisfactorily resolved by the lending industry.

Covenants – We have modified our Covenant as to flood insurance to specify coverage as to the dwelling only in the recommended amount of 100% of full insurable value as determined by a property insurer. However, if a residential parcel is outside a platted subdivision and converts to commercial use at a later date, such parcel would continue to be required to be covered by flood insurance. We have also attempted to delineate the application of the 2003 International Residential Building Code on instances whereby repair is in progress (see Paragraph 3(i)(a)) and to obtain a fair and definitive date in those jurisdictions that have not adopted the higher Code. Also we have clarified injunctive relief as a remedy on enforcement.

Agreement with Lenders – To ensure the project is successful, we are requesting your participation until December 31, 2006, or unless otherwise agreed. We cannot accommodate a 14 day right of termination as that could significantly jeopardize the program and our delivery of grant proceeds to the homeowners.

Please review these revised documents. While they are substantially complete, some changes may be required as we work through the application and verification process. However, we do not expect any future changes to be significant.

If you are agreeable to participate as per the Plan and documents attached, please sign the Opt-In Agreement and return to us by 12:00 noon CST, Friday, April 7, 2006. You may fax your acceptance to me at 601-359-3613 and then follow with the original via mail.

Again, many thanks for your comments and suggestions. We look forward to moving ahead with this unprecedented program for the betterment of impacted homeowners and the Mississippi Gulf Coast.